

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-5-G - ORDER NO. 2014-1000
DECEMBER 3, 2014

IN RE: Annual Review of Purchased Gas)	ORDER ADOPTING
Adjustment and Gas Purchasing Policies of)	SETTLEMENT
South Carolina Electric & Gas Company)	AGREEMENT

This matter comes before the Public Service Commission of South Carolina (“the Commission”) for annual review of the Purchased Gas Adjustment (“PGA”) and the Gas Purchasing Policies of South Carolina Electric & Gas Company (“SCE&G” or “Company”), as required by Order No. 87-898, issued on August 14, 1987. Pursuant to that Order, the Commission opened the present Docket for the purpose of conducting SCE&G’s 2014 annual PGA review. On June 5, 2014, the Commission’s Clerk’s Office scheduled a hearing for this matter for November 6, 2014, and established pre-filing testimony deadlines by issuing a Notice of Hearing and Pre-file Testimony Deadlines (Revised) (“Notice of Hearing”). The Notice of Hearing also set a return date for intervention. The period under review in this docket is August 1, 2013, through July 31, 2014 (“Review Period”).

As the natural gas utility under review, SCE&G was automatically made a party to the proceeding. By letter dated June 5, 2014, the Commission’s Clerk’s Office instructed the Company to (i) publish the Notice of Hearing in newspapers of general circulation in the affected areas by September 4, 2014, advising all interested parties of

the manner and time in which to file pleadings to obtain the right to participate in this proceeding and (ii) provide proofs of publication by September 24, 2014. The Commission's Clerk's Office further instructed SCE&G to provide notification of the PGA review to each affected customer via U.S. Mail or by electronic mail to those customers who have agreed to receive notices by electronic mail on or before September 4, 2014, and to provide certification on or before September 24, 2014. The Company timely filed affidavits and proofs of publication to confirm its compliance with the instructions of the Commission's Clerk's Office on August 18, 2014.

The South Carolina Office of Regulatory Staff ("ORS") is a party in this matter pursuant to S.C. Code Ann. § 58-4-10 (Supp. 2013). No other parties sought to intervene in this proceeding.

On September 26, 2014, SCE&G pre-filed the direct testimony of witnesses Felicia D. Howard, Rose M. Jackson and Rachel M. Robinson. On October 8, 2014, ORS pre-filed the direct testimony of witnesses John O. Powers and Thomas H. Allen.

On October 30, 2014, ORS and SCE&G (the "Settling Parties") filed a comprehensive Settlement Agreement ("Settlement Agreement") wherein they stipulated to a resolution of all issues in the proceeding.

The Commission conducted a formal hearing in this matter on November 6, 2014, beginning at 10:00 a.m. in the hearing room of the Commission, with the Honorable Nikiya "Nikki" Hall presiding. K. Chad Burgess, Esquire, Matthew W. Gissendanner, Esquire, and Mitchell M. Willoughby, Esquire, represented the Company. Shannon Bowyer Hudson, Esquire, and Andrew M. Bateman, Esquire, represented ORS.

At the opening of the hearing, Mr. Bateman moved the Settlement Agreement into the evidence of record. The Settlement Agreement is identified, and incorporated herein by reference, as Order Exhibit No. 1.

In support of its PGA and Gas Purchasing Policies and the Settlement Agreement and as stipulated in the Settlement Agreement, SCE&G presented direct testimony from Rose M. Jackson, Felicia D. Howard, and Rachel M. Robinson. ORS presented direct testimony from John O. Powers and Thomas H. Allen.¹ Consistent with the terms of the Settlement Agreement, the witnesses who pre-filed direct testimony in this proceeding and orally presented such testimony before the Commission were subject to questioning by the Commissioners, and not by any party.

The Commission has considered the testimony and the exhibits of the witnesses and the other evidence of record in this proceeding including the Settlement Agreement. Based on the evidence of record, the Commission concludes, as the Parties have stipulated, that adoption of the Settlement Agreement is in the best interest of SCE&G's customers, the State of South Carolina, and the financial integrity of the Company.

In making this finding, the Commission specifically finds that during the Review Period, SCE&G (a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679, as modified by Order No. 2009-910; (b) employed prudent gas purchasing practices and policies; (c) recovered its gas costs consistent with applicable tariffs and Commission orders and administered the PGA in a prudent and

¹ The Commission accepted the Settlement Agreement as Hearing Exhibit 1, Ms. Jackson's exhibits 1, 2 and 3 as Hearing Exhibit 2, Ms. Robinson's exhibits 1 and 2 as Hearing Exhibit 3, and Mr. Power's exhibits 1, 2 and 3 as Hearing Exhibit 4.

reasonable manner; and (d) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

The Commission further finds that the monthly adjustment procedure and notification procedure for total cost of gas factors as adopted in Commission Docket No. 2006-5-G, Order No. 2006-679, as modified in Docket No. 2009-5-G, Order No. 2009-910, should be maintained. The Settling Parties have agreed, and we find it appropriate, that the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors. We further find the allocation factors of Residential 66.83%, Small General Service/Medium General Service 30.51%, and Large General Service 2.66%, as set forth on page 4 of Ms. Robinson's pre-filed direct testimony, to be appropriate for use in the cost of gas calculations beginning with the first billing cycle of January 2015.

We accept the use of the cost of gas calculations for the period August 1, 2013, through July 31, 2014, as set forth in Settlement Exhibit No. 1, which is attached hereto as part of Order Exhibit No. 1.

The Commission further approves the authority of SCE&G to continue to charge and recover carrying costs, if applicable, on the cumulative total (over)/under-collection

balances using the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679, for the same reasons set forth in that Order. Pursuant to that Order and in the event of an over-collection balance, carrying costs shall be credited to customers.

Based on the testimony and exhibits and the Settlement Agreement entered into the record of this proceeding, the Commission finds that the Company's gas purchasing policies and practices during the Review Period were reasonable and prudent. The Commission further finds that all matters contained in the Settlement Agreement are appropriate for adoption in this proceeding and therefore finds that the Settlement Agreement is in the public interest and is a reasonable resolution of all issues in this case.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Settlement Agreement, which was stipulated to by the Settling Parties and accepted into the record without objection, is incorporated into and made a part of this Order as Order Exhibit No. 1. Further, the Settlement Agreement constitutes a reasonable resolution to this proceeding and is hereby adopted as such.

2. During the Review Period, SCE&G properly administered the purchased gas adjustment. SCE&G also correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order Nos. 2006-679 and 2009-910, which factors are hereby approved.

3. SCE&G's gas purchasing policies and practices during the Review Period were within the guidelines established in prior Commission orders and were reasonable and prudent.

4. The appropriate cost of gas calculations for the Review Period are set forth in Order Exhibit No. 1.

5. The demand charges included in the total cost of gas factors should continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

6. The monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679, as amended by Order 2009-910, shall be maintained.

7. The allocation factors contained on page 4 of Ms. Robinson's direct testimony are appropriate and should be used for cost of gas calculations beginning with the first billing cycle of January 2015.

8. SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total (over)/under collection balances in the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679. In the event of an over-collection balance, carrying costs shall be credited to customers.

9. The actual balance in the Company's unbilled gas cost adjustment account shall continue to be applied to the PGA (over)/under collection calculation, and the

Company shall consider this unbilled gas cost adjustment account in all future PGA calculations. Future monthly adjustments shall continue to be applied to the demand component of the cost of gas factor.

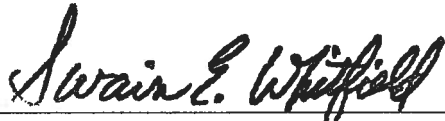
10. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



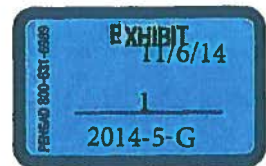
Nikiya Hall, Chairman

ATTEST:



Swain E. Whitfield, Vice Chairman

(SEAL)



BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-5-G

October 30, 2014

IN RE: Annual Review of Purchased Gas)
Adjustment and Gas Purchasing) **SETTLEMENT**
Policies of South Carolina Electric) **AGREEMENT**
& Gas Company)

This Settlement Agreement ("Settlement Agreement") is made by and between the South Carolina Office of Regulatory Staff ("ORS") and South Carolina Electric & Gas Company ("SCE&G" or "Company") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on June 5, 2014, the Public Service Commission of South Carolina ("Commission") issued a revised notice of hearing for the 2014 Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies ("PGA") of SCE&G;

WHEREAS, the purpose of this proceeding is to review matters related to SCE&G's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs;

WHEREAS, the period under review in this docket is August 1, 2013, to July 31, 2014 ("Review Period");

WHEREAS, ORS examined the books and records of SCE&G and conducted inquiries and analyses related to the Company's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs for the Review Period;

WHEREAS, ORS determined that during the Review Period, SCE&G: a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; b) employed prudent gas purchasing practices and policies; c) recovered its gas costs consistent with applicable tariffs and Commission orders; and d) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans;

WHEREFORE, the Parties have engaged in discussions and in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1. The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties further agree to stipulate into the record without cross-examination the pre-filed direct testimony and exhibits of Rose M. Jackson, Rachel M. Robinson, and John O. Powers, and the pre-filed direct testimony of Felicia D. Howard and Thomas H. Allen. Furthermore, each witness will take the stand to present his or her testimony and, if necessary, make non-material changes to their testimony comparable to those that would be presented via an errata sheet or through a witness noting a correction. With respect to this Settlement Agreement, Company Witnesses Rose M. Jackson is the witness designated to be primarily responsible for providing support for the Settlement Agreement at the hearing scheduled in this case.

2. For the purpose of setting the gas cost recovery factors, the Parties accept the use of the cost of gas calculations for the period August 1, 2013 through July 31, 2014 set forth in Settlement Exhibit No. 1 attached hereto (Exhibit RMR-1).

3. The Parties agree to maintain the monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Commission Order No. 2006-679 and amended by Commission Order No. 2009-910.

4. The Parties acknowledge the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors under this Settlement Agreement. The Parties agree that the allocation factors contained on page 4 in Ms. Robinson's pre-filed direct testimony (Residential 66.83%; Small General Service/Medium General Service 30.51%; and Large General Service 2.66%) are appropriate and should be used for the cost of gas calculations beginning with the first billing cycle of January 2015.

5. As part of this Settlement Agreement, the Parties agree that SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total over- or under-collection balances in the same method and with the same limitations as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G.

6. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B). S.C. Code Ann. § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and

- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Settlement Agreement reached among the Parties serves the public interest as defined above.

7. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

8. The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

9. This Settlement Agreement shall be interpreted according to South Carolina law.

10. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that

in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[SIGNATURES ON THE FOLLOWING PAGES]

Order Exhibit No. 1
Docket No. 2014-5-G
Order No. 2014-1000
December 3, 2014
Page 6 of 8

WE AGREE:

Representing the South Carolina Office of Regulatory Staff



Shannon Bowyer Hudson, Esquire
Andrew M. Bateman, Esquire
South Carolina Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
Phone: (803) 737-0889
Fax: (803) 737-0895
Email: shudson@regstaff.sc.gov

WE AGREE:

Representing South Carolina Electric & Gas Company



K. Chad Burgess, Esquire
Matthew W. Gissendanner, Esquire
South Carolina Electric & Gas Company
Mail Code C222
220 Operation Way
Cayce, South Carolina 29033-3701
Phone: (803) 217-8141
Fax: (803) 217-7810
Email: chad.burgess@scana.com
matthew.gissendanner@scana.com

Settlement Exhibit No. 1

Exhibit No. (RMR-1)

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
PURCHASED GAS ADJUSTMENT
(OVER/UNDER COLLECTION)**

	ACTUAL COST PER THERM (COL. 1)	SELLING COST PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	FROM SALES THERMS (COL. 4)	COMMODITY (OVER/UNDER COLLECTION (COL. 5) (3x4)	DEMAND (OVER/UNDER COLLECTION (COL. 6)	TOTAL (OVER/UNDER COLLECTION (COL. 7) (5+6)	CUMULATIVE (OVER/UNDER COLLECTION (COL. 8)
								BEGINNING BALANCE \$2,894,064
AUG 13	\$0.32444	\$0.40143	(\$0.07699)	7,791,400	(\$590,982)	\$1,334,292	\$1,343,309	\$4,247,383
SEP 13	\$0.36139	\$0.34911	\$0.00228	7,331,787	\$8,827	\$2,100,135	\$2,108,962	\$6,356,325
OCT 13	\$0.44617	\$0.34911	\$0.09706	8,669,938	\$932,971	\$888,749	\$1,791,720	\$8,057,745
NOV 13	\$0.65794	\$0.34911	\$0.30883	16,443,979	\$4,769,893	(\$5,768,671)	(\$1,018,779)	\$7,038,966
DEC 13	\$0.42786	\$0.34911	\$0.07874	29,716,397	\$2,364,466	(\$3,992,047)	(\$1,627,580)	\$5,491,386
JAN 14	\$0.58364	\$0.42572	\$0.15792	43,488,040	\$6,899,804	(\$11,866,273)	(\$4,766,469)	\$848,916
FEB 14	\$0.43816	\$0.42572	\$0.01244	48,488,011	\$637,874	\$1,710,283	\$2,348,137	\$2,894,064
MAR 14	\$0.50190	\$0.42572	\$0.07618	34,978,081	\$2,716,437	(\$3,464,414)	(\$735,976)	\$2,258,077
APR 14	\$0.38282	\$0.42572	(\$0.04290)	20,660,804	(\$2,891,559)	\$3,413,096	\$521,487	\$2,778,484
MAY 14	\$0.37070	\$0.42572	(\$0.05502)	10,476,810	(\$501,033)	\$2,490,768	\$1,989,735	\$4,768,240
JUN 14	\$0.37214	\$0.42572	(\$0.05358)	8,198,283	(\$351,659)	\$2,104,627	\$1,753,968	\$6,502,207
JUL 14	\$0.48376	\$0.42572	(\$0.05804)	8,046,862	(\$398,021)	\$2,499,890	\$2,101,869	\$8,604,077